

The impact of Airbnb in the urban arena: towards a tourism-led gentrification? The case-study of Palma old quarter (Mallorca, Spain)

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Last five years have witnessed the birth and rapid sprawl of Airbnb, an app that offers short-term rentals across the world. Using as a case study the Historical quarter in Palma (Mallorca), the paper problematizes three of the basic self-created Airbnb assumptions: (i) Airbnb enrich low-income population. (ii) Airbnb invigorates the housing market (iii) Airbnb boost forms of tourism more acceptable by local residents. This paper argues that the emergence of Airbnb is triggering a wave of tourism led-gentrification which is rooted in a substitution of the residential rental by a tourism rental market. This substitution has amongst other, three main consequences which are analysed in this paper. First, the eruption of tourism-oriented rentals as the main, if not only, form of land rent in this quarter. Second, the consolidation of large landowners and real estate agencies specialized on the Airbnb market. Third, an increase in the social contestation against tourism in Palma Old Quarter.

Keywords: Tourism Gentrification, land rent, rental market, rent gap, Airbnb, Palma

Introduction

Brief introduction to airbnb

Airbnb is an intermediary website that puts in contact individuals renting a room or house with persons seeking a non-hotel accommodation while visiting a city. It was created in 2008, after Airbnb founders Brian Chesky and Joe Gebbia decided to supplement their rent in San Francisco by hosting people on an airbed in their living room (Coldwell, 18/03/2016). These spaces vary widely, ranging from a living room futon

to an entire island (Wortham, 25/07/2011) but typically involve a private room or an entire apartment or house (Guttentag, 2015:1193). The host may be living there at the time of the rental, or may be absent, possibly operating the housing unit as a permanent rental (Guttentag, 2015:1193).

With two million listings, 640.000 hosts and a market valuation of \$25 billion in 2016, Airbnb is considered to be one of the most successful examples of the so-called shared economy (Martin, 2016).

Since the book by Rachel Botsman and Roo Rogers “*What’s Mine is Yours – How Collaborative Consumption is Changing the Way we Live*” (2011) became a best seller, the “share economy” has become a buzzword for Internet websites acting as enablers and facilitators of the matchmaking process between demand and supply of tourism accommodations (Stors & Kagermeier, 2015:17). Yet unlike several other peer-to-peer collaborative apps, in Airbnb there is a monetary relation, as the guest pays both to the host and to the company itself.

Theoretical frame and paper objectives

This paper thus argues that Airbnb’s *monetary exchange* dimension has deep impacts both in how land rents are extracted from housing and local inhabitants’ access to housing rentals.

Specifically, this paper aims to critically engage and problematize three of Airbnb’s main self-constructed depictions: (i) Airbnb as a platform supporting both young creatives and individuals on low incomes hoping to make extra money out of spare rooms (Coldwell, 18/03/2016) (ii) Airbnb as a way to invigorate housing markets.

The main hypothesis of this paper is that the eruption of Airbnb has entailed a new wave of what Kevin Fox Gotham defined as ‘tourism gentrification’. According to Gotham (2005: 1100-1101) this concept highlights the role of state policy in encouraging both gentrification and tourism development, arguing that the combination of flows of capital in the real estate market and the shift to tourism is what explains gentrification.

Departing from Gotham’s (2005) conceptualization and in light of Airbnb’s impact on the Old Quarter of Palma, this paper aims to develop the “tourism gentrification” concept into three interrelated directions.

First, it is argued that the contemporary process of Airbnb expansion in Spain is not exclusively the result of the combination of the State action, flow of capitals spatially fixing, and tourism, as the literature suggests, but rather, as a combination of the robustness of tourism and the impact of the crisis on real estate agents.

Second, Airbnb-led tourism gentrification boosts a new type of land-based rent capitalization which is now based in short-term tourist-oriented rentals and not anymore in selling or long-term residential rentals.

Third, the process of Airbnb-led gentrification challenges the production-side narratives of Gentrification. Indeed, it is argued that in this particular case of gentrification there has not been an Airbnb-based broad dynamic of capital investment and spatial fixation, rather Airbnb has been an alternative strategy to address shrinking ground rents through residential rents or selling.

This paper tries thus to develop these issues drawing its insights from the case study of Palma old-quarter. At a specific level, this paper aims to analyse the impact of the Airbnb accommodation expansion on the dynamics of gentrification and housing availability in the Old Quarter of the city of Palma, which has become one of the most popular Spanish Airbnb destinations.

Data and research methods

The Airbnb data upon the analysis is built on data available on the website [insideairbnb.com](https://www.airbnb.com). In order to fulfil the aforementioned goals, a data-analysis of the basic figures of Airbnb (housing supply characteristics, typology of hosts) and its geographical distribution in Palma Old Quarter is carried out.

Palma old quarter: the impact of Airbnb

Palma old quarter spread of Airbnb

Since the eruption of mass tourism in the sixties in Majorca, Palma has become a tourist attraction complementary to the sea and sun spots across the island. Within the contours of Palma city, most of the tourist attractions such as historical landmarks, retail stores and nightlife are located within Palma Old Quarter. This quarter is the historical part of the city, located geographically in the very center of Palma city (see Figure 1).

In Palma Old Quarter, there are 22.847 inhabitants (INE, 2016), and 1.896 tourist beds in official tourist accommodations (mostly hotels and some legalized tourist apartments). Regarding the population main occupations, up to 39% of population have a full-time job, whereas the rest of the population are retired, unemployed, students or part-time salaried (see figure 2). Within the 39% of inhabitants which have a full time job, most of them have salaries which are below 2000 €/month.

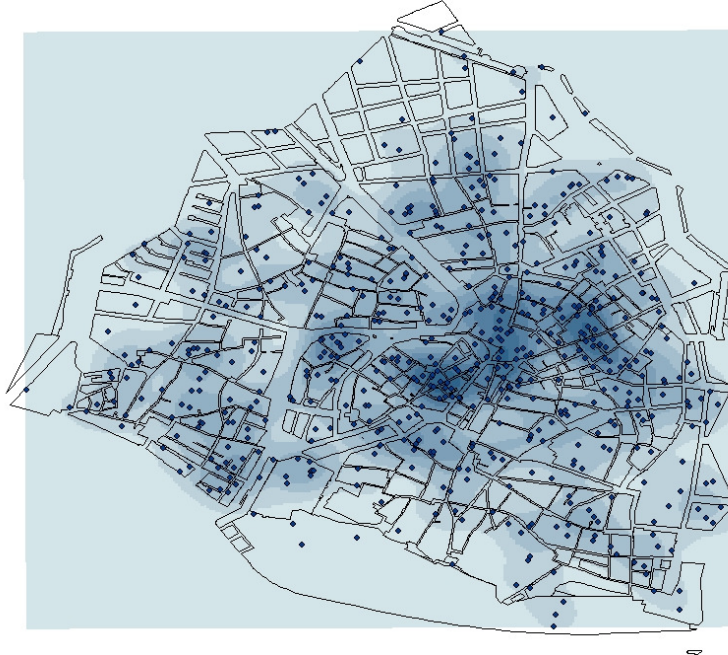
The geographical proliferation of Airbnb is massive: there are Airbnb units spread all across the Old Quarter, but there are some areas which there is a particular proliferation of this type of housing: the areas around the geographical center of Palma Old Quarter and the eastern parts of this quarter (see Figure 2). This area forms part of Sa Gerreria

neighborhood, which has had a long history of gentrification processes since the nineties.

Figure 1: Location of Palma Old Quarter within Palma (highlighted area).

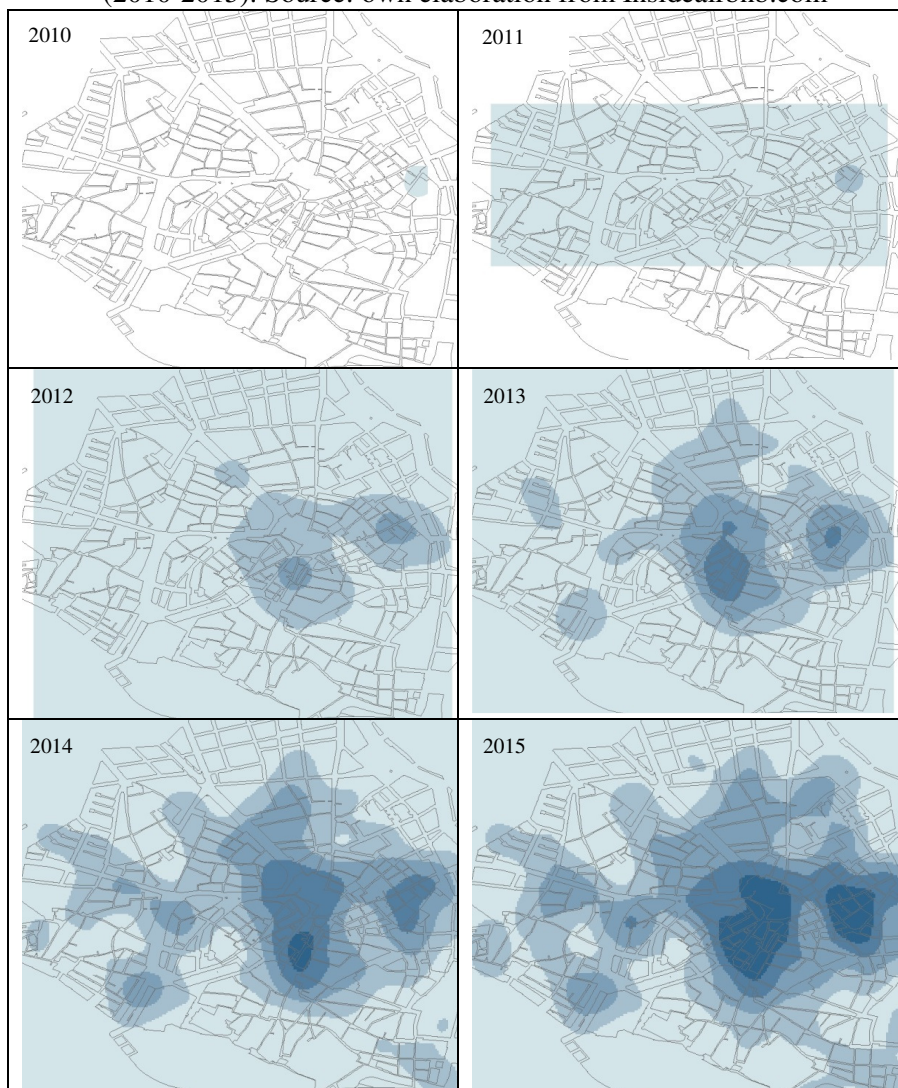


Figure 2: Distribution of Airbnb Units in Palma City. Source: own elaboration from Insideairbnb.com



The geographical and temporal spread of Airbnb in Palma Old Quarter has mainly taken place between 2012 and 2015, when most of these advertisements were created (see figure 3).

Figure 3: Geographical Density of Airbnb units across Palma Old Quarter (2010-2015). Source: own elaboration from Insideairbnb.com



Sa Gerreria neighborhood –the epicenter of Airbnb- was in the seventies and eighties the red-light district of Palma, widely known for being a center for prostitution and drug trade. In 1995, a city-led Special

Internal Reform Plan for the neighborhood was approved, which consisted in the development of several urban development projects sponsored by the EU, which led to the renewal and rebuilding of most of the neighborhood. This led to a massive increase in the selling prices of the refurbished dwellings in the area. According to Vives-Miró (2011) before the approval of the PEPRI, the selling prices in sa Gerreria were more than four times below the city average, whereas in 2008 sa Gerreria prices more than doubled Palma's average selling price.

Yet since the eruption of the financial crisis in 2008, as ground rent capitalization through house selling became increasingly difficult due to the decreasing demand, Airbnb has emerged as an alternative land rent extraction strategy.

Are Airbnb arguments real in the case of Palma old quarter?

Airbnb is helping to boost income of households

(i) Which houses are rented for Airbnb?

The first important aspect to consider is that, according to the 2011 Spanish census, 23.63% of dwellings in the Old Quarter are either 'empty' or 'second residences'. This percentage goes up in Sa Gerreria neighborhood, where the non-primary dwellings are around 1/3 of the total amount of dwellings. In fact, there are 3.035 houses in the Old Quarter that are not classified as main residences, and of those, up to 2.525 houses are located in Sa Gerreria. This means that there is a large part of the housing stock is *a priori* ideal to develop Airbnb activities. In fact, the houses currently being listed in Airbnb are 774, still much less than the 3.000 houses that are not main residences according to the census.

There is no direct evidence that the Airbnb listings are actually of those houses which are officially registered as non-main residences. Nevertheless, there are two indicators (typology and availability of housing units) which indirectly show that the houses listed in Airbnb are not main residences.

Regarding the typology of units rented, 85% of Airbnb beds correspond to houses that are entirely rented and 15% to rooms rented. This means that in the 85% of cases, house owners are not at the house when rented, that is, the main purpose of these houses is not its everyday life use but to create rental profits. In the entire houses rented, the average days available are 309 days/year. In 69% of the entire houses rented, these are rented for at least 300 days/year. This means that in most of the Airbnb market, the only if not only, the use made by its owners is a rent-based one, or in other words, owners seek to realize the *exchange value* of the dwelling. On the other hand, in roughly the 40% of Airbnb units there is

some sort of a combination of the use of the house by its owners and the use of the house as a source of rents (either through entire houses rented parts of the year or rooms rented within houses).

But in order to better grasp this, the focus also needs to be on not which use is given to the houses but also who the agents who own and/or advertise the houses.

(ii) *Who rents Airbnb houses?*

One key issue is that the hosts who only offer one house are in control of 713 tourist beds, that is, 36.25% of the Airbnb 'share' in Palma Old Quarter. These are the type of hosts that could match with Airbnb's description of 'low income' hosts. Indeed, there is the possibility that a large amount of these are those who rent a room or houses not all the year. Even in this case, it is improbable that these hosts are all 'low income' (15% of Airbnb market is based on room rental, but hosts listing just one house are 36%). The most likely scenario is that the bulk of this group are middle-class renting second residences and/or low income population renting a room, but it is very unlikely that these are real estate corporations or big landlord rentists.

But almost 2/3 of the Airbnb market in Palma inner city is controlled by a wide array of actors that have two or more listings in the Airbnb webpage. A majority of Airbnb hosts offer between 2 and 10 houses, but some of the Airbnb listings are controlled by owners that have between 10 and 678 houses listed on Airbnb. This shows that there are real estate companies that are increasingly extracting rents through Airbnb instead of residential renting or selling markets.

Airbnb helps to boost the housing market

In order to address the question we aim to focus in the 'gap' between the prices of rental markets and the prices of Airbnb units. Interestingly enough, the difference between the average Airbnb prices and the rental prices is of roughly 800 €/month. Indeed, the average rental price in Palma's Old quarter is of 1240 €, whereas the average Airbnb rental price is of 2034 €. Broadly speaking, Airbnb rental prices are thus *higher* than in the non-touristic rental market.

Yet at a more specific level, available data shows that the difference between the prices within the Airbnb market is much higher than in the case of the traditional rental market (the standard deviation in the case of Airbnb units is of 1271€, whereas in the case of others rentals 652€). This shows how deep is the spread of Airbnb in the housing market: all type of housing units and thus all housing prices are involved in such a process.

But more than a gentrification via traditional process of rental increase, what is actually taking place is a process by which there is a

substitution of the market: the overall rental market is now placed on Airbnb, whereas the web platforms which are meant for non-touristic rentals have noticeably much fewer listings than Airbnb. This can be grasped only through a quick overlook to the webpages. In the case of Palma Old quarter, there were around 700 listings in Airbnb whereas in three web pages addressed for the non-rental market, there were just 49 advertisements.

Furthermore, several of the 49 non-Airbnb advertisements were also oriented and/or used with tourism purposes. Yet even within these residential oriented rentals, there are some of these advertisements (15% approximately) whose particular goal is to pursue either short term rentals (with a clearly touristic vocation since the rental period coincides with the touristic season) or rent contracts opened to selling agreements.

In any case, what this is actually showing is a *substitution* of the rental market. There is not anymore rental housing for residents: most of the housing has gone to tourism-oriented rentals.

Second, this vanishing process of the rental market means at the same time an increase in the *potential number of tourists* and the *threat of displacement of rental population* towards other parts of the city and/or the island (which are also facing pressure from Airbnb). Airbnb housing units in 2016 are meant to host up to 2.971 individuals (InsideAirbnb, 2016) in an area where there are 21.760 inhabitants.

To put it shortly, there is indeed a reactivation of the housing market, as Airbnb is indeed boosting the rental market. Yet this rental market is tourist-based, and thus, this new housing rental niche is not meant for local inhabitants, but to attract visitors.

Brief conclusions

In relation with the 'tourism gentrification' thesis, a preliminary analysis shows that in the Old Quarter, the emergence of Airbnb has possibly meant an increase in the rental prices, and definitely a decrease in the non-tourism rental market. Thus, a potential displacement threat for residing population is arising from Airbnb.

On the other hand, there are several real estate agencies and local landowners that are using Airbnb as a way to put into the market housing units with low demand. Yet there is still a minority of hosts (average profile of young people with precarious jobs or unemployed) which supply a room and/or their own house as a mean to get an additional source of income. In any case, Airbnb perpetuates and even accentuates class and property tenancy differences.

In this way, it may be the case that because of the impact of the economic crisis on households, tourism, and particularly Airbnb, helps to boost a mobilization of the exchange value of dwellings, which, is mainly helping real estate developers.

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